



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

July 24, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
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BUDGET DELIBERATIONS - REPORT BACK ON CHILDREN AND FAMILY SERVICES-ASSISTANCE BUDGET (ITEM NO. 73, AGENDA OF JULY 29, 2003)

At the June 23, 2003 Budget Deliberations, on motion of Supervisor Yaroslavsky, your Board instructed my office to report back in two weeks on the proposed \$11 million net County cost (NCC) increase in the Department of Children and Family Services (DCFS)-Assistance Final Changes Budget. My office subsequently requested a two-week continuance and a one week continuance.

For several fiscal years, the NCC budgeted for the DCFS' Assistance Budget was grossly under-budgeted; and during the fiscal year closing process, the budget gap was backfilled with NCC since the Assistance Budget provides the funding for entitlement programs. The FY 2003-04 Proposed Budget and Final Changes Request reflected our effort to set aside the necessary NCC at the beginning of the fiscal year rather than relying on fund balance at year-end closing to finance the Assistance Budget expenditures.

The foster care (FC) assistance costs have continued to rise in spite of a declining caseload. The FY 2003-04 Proposed DCFS Assistance Budget reflected a \$36.9 million NCC increase from the FY 2002-03 Adopted Budget level. The FY 2003-04 Final Changes DCFS Assistance Budget included an additional \$11 million for a total increase of \$47.9 million NCC from the FY 2002-03 Adopted Budget level.

The major factors contributing to the \$47.9 million NCC increase from the FY 2002-03 Adopted Budget level include:

- \$14.2 million to backfill loss of Realignment revenue based on declining sales tax projections
- \$3.2 million for full year costs of the Federal Medical Assistance Percentage (FMAP) reduction from 51.4 percent to 50 percent
- \$4.7 million transfer of the Wraparound program from the DCFS Administration Budget to the Assistance Budget (transfer of the funding from the Administration Budget to the Assistance budget with no net funding increase)
- \$6.9 million due to the shift from federally eligible to non-federally eligible status
- \$13.1 million due to the shift from foster family home (FFH) placements to placements with foster family agencies (FFA) and group home (GH)

See attachment for all of the changes contributing to the \$47.9 million NCC increase.

It should be noted that these are my office's estimates of the change from one budget to the next (not the impact on actual expenditures) of the various changes. DCFS is in the process of conducting an in depth analysis of actual expenditures to determine whether other changes may be affecting assistance expenditures in addition to those identified above.

The FY 2002-03 Adopted Budget and FY 2003-04 Proposed DCFS Assistance Budget did not fully recognize two of the trends; that is, the shift from federally eligible to non-federally eligible status and the shift in placement types from FFHs to FFAs and GHs. As a result, the FY 2003-04 Proposed Budget for DCFS Assistance was under-funded based on the continuation of current trends.

Federally Eligible vs. Non-Federally Eligible

One of the conditions of eligibility for federal FC funding is the child must meet the requirements for eligibility for federal public assistance in effect on July 16, 1996 in the home of the relative from whose custody he/she was removed. This is referred to as the "look-back". In order to have been eligible in July 1996, the income for a family of four (after certain adjustments) could not exceed \$870. The income thresholds have not changed since July 1996. As wages increase, fewer household incomes fall below the threshold resulting in fewer households being federally eligible, and the costs shift to the State and County. The State pays 40 percent of the non-federal portion, and the County pays 60 percent; in other words, the County's share of costs for non-federally eligible cases is twice as much as for federally eligible cases.

Since calendar year 2000, the average percent of children who are federally eligible has dropped by 7 percent.

Placement in FFAs and GHs vs. FFHs

Placement options for children going into out-of-home care include individual foster family homes (FFH), foster family agencies (FFA) and group homes (GH).

- **GHs:** Generally, the children placed in GHs require a much higher level of supervision, care and services. The rates for GH placements are reflective of that higher level of need. Depending on the rate classification level (RCL) of the GH, monthly rates range from \$1,454 (RCL 1) to \$6,371 (RCL 14) per child. Also, the County provides an additional \$2,500 or more per month for children placed in a RCL 14 Community Treatment Facility (CTF). Whatever portion of the additional funding provided to CTFs is not offset through Mental Health and Probation funding streams is net County cost.
- **FFAs:** Children placed with FFAs generally have a higher level of need than those placed in FFHs but not as high as children in GHs. The FFA rates are reflective of the children's higher level of need plus case management/administrative costs. For example, FFAs are required to see each child several times a week and must provide psychological case planning and treatment. Monthly rates range from \$1,589 (for ages 0-4) to \$1,865 (for ages 15-19).
- **FFHs:** Children placed in FFHs generally do not require a high level of supervision, care and services. The monthly rate paid to an FFH is based on the age of the child. Monthly rates range from \$425 (for ages 0-4) to \$597 (for ages 15-19).

Since calendar year 2000, the average percentage of children placed in FFHs has decreased 8.4 percent while the percentage of children in FFA and GHs has increased by 3.8 percent and 4.5 percent, respectively. This is one reason the cost per child in placement has increased from around \$1,300 per month in July 2001 to about \$1,600 per month in April 2003.

Also, many of the children who were served or would have been served at MacLaren Children's Center (MCC) had it not closed were placed in high level group homes. With the closure of MCC and elimination of the MCC budget, the cost of out-of-home care for these children will be experienced in the FC Assistance budget.

Strategies That May Reduce Future Foster Care Assistance Costs

DCFS' goal is to ensure safety, stability and permanency for the children they serve. DCFS will be focusing on three key areas to manage their assistance costs, which

include (a) ensuring that only those children and families who would be appropriately served by the child welfare system enter the system, (b) reducing the time children spend in out-of-home care, and (c) providing services to children and families to enable the children to remain in their home and not enter the out-of-home care system. To achieve these goals, DCFS has and will continue to develop strategies to improve the identification of the children whose needs would be appropriately served by the child welfare system and to ensure that key decisions are being made timely throughout the life of the case. Some of the current strategies include:

- To ensure only those children and families who would be appropriately served by the child welfare system enter the system, DCFS is reviewing the current practice of how referrals to the Hotline are handled and is developing a standardized policy or decision-making process for determining which abuse and neglect referrals to investigate.
- To ensure timely movement toward permanency for children, DCFS is exploring the use of team decision making at key points in the life of the case.
- To shorten the time from the point at which a child becomes available for adoption to finalization, DCFS has implemented a process to expedite completion of home studies.
- DCFS is reviewing national models that have had success in achieving timely permanency and shortening length of stay in placement. DCFS is evaluating how to incorporate the learning from these successful models into DCFS practice.

Recommendation

DCFS has recommended that the \$11 million NCC not be added to their budget at this time until further analysis can be done on actual costs and potential impact of the strategies they are developing. Therefore, I recommend that the FY 2003-04 DCFS Assistance Budget be funded at the level reflected in the Proposed Budget (\$86.3 million NCC) and the \$11 million NCC remain in Provisional Financing Uses (PFU) to be used to fund a deficit, if any, in the DCFS Assistance Budget at the end of FY 2003-04. In the event some or all of the \$11 million is required to finance DCFS Assistance expenditures, a request to move the funds from PFU will be submitted to the Board.

Since the Assistance Budget provides funding for entitlement programs, not operational costs, surplus NCC (if any) rolls back to the General Fund at year end, and any expenditures exceeding the budget at year end must be funded.

Each Supervisor
July 24, 2003
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Please let me know if you need additional information, or your staff may contact Claudine Crank of my staff at (213) 974-2356.

DEJ:DL
CC:kd

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Department of Children and Family Services

**CHANGES FROM FY 2002-03 ADOPTED BUDGET TO
FY 2003-04 FINAL CHANGES**

	NCC
FY 2002-03 Adopted Budget	49,390,000
Realignment Backfill	14,188,000 ^(a)
FMAP Decrease	3,233,000
Transfer Wraparound from Admin to Assistance	4,700,000 ^(a)
KinGAP Caseload Increase	2,465,000 ^(a)
SEB Case Cost Increase	978,000 ^(a)
Adoptions Caseload Increase	2,617,000 ^(a)
Shift from Fed to Non-Fed	6,952,000
Increase in Use of FFAs and Group Homes	13,056,000
Transitional Housing Placement Program	1,012,000 ^(b)
Miscellaneous Reductions	<u>(1,313,000) ^(a)</u>
FY 2003-04 Final Changes	97,278,000
 Variance from FY 2002-03 Adopted Budget	 47,888,000

(a) Source data: FY 03-04 Proposed Budget Walk-thru

(b) Source data: FY 03-04 Final Changes Walk-thru